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Editorial

CORPORATE DEBT RESTRUCTURING (CDR)

Corporate Debt Restructuring (CDR) is important for the restoration of a distressed company because it is cheaper than bankruptcy. However, the restructuring has to be done with due diligence so as to make the turnaround successful. The initial step of restructuring is concerned with identifying and understanding the reasons for shortfall and the changed approach of the creditors so as to workout possible solutions.

The CDR system is a voluntary and non-statutory arrangement between lenders and borrowers. The responsibility of coordinating the mechanism lies with the Industrial Development Bank of India (now IDBI Bank). RBI first issued the CDR guidelines on August 23, 2001, for implementation by FIs and banks. However, to make the operations of the CDR mechanism more efficient, the revised CDR guidelines had been issued by RBI on February 5, 2003.

In the revised guidelines, provisions have been made for two categories of CDR system. Accounts which are classified as Standard and Sub-Standard in the books of the lenders will be restructured under Category-1 and those which are classified as Doubtful will be restructured under Category-2. The objective of CDR framework is to ensure a timely and transparent mechanism for restructuring corporate debts of potentially viable units facing problems which are beyond the purview of BIFR, DRT, and other legal proceedings.

The CDR system has a three-tier structure:

i. CDR Standing Forum and its Core Group;
ii. CDR Empowered Group; and
iii. CDR Cell.

The CDR Standing Forum lays down policies and guidelines and monitors the progress of corporate debt restructuring. The CDR Core Group, carved out of CDR Forum, will assist it in framing policies and guidelines to be followed by the Empowered Group and the CDR Cell. It is important to note that the restructuring should focus on the customers and employees besides earnings, dividends, market capitalization, and shareholder value. If a corporate looks after its employees, the latter will automatically take care of their customers ‘requirements.

The fifth issue (Vol.3, No.1) of the SMART Journal of Business Management Studies comprises of 10 articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the journal academically challenging and strategically stimulating.

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